USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network
Template Version 2.09

Scheduled Report - Public distribution

Date: 8/15/2007

GAIN Report Number: AS7043

Australia

Exporter Guide

Annual

2007

Approved by:
Kathleen Wainio, Agricultural Counselor
U.S. Embassy

Prepared by:
Lindy Crothers, Agricultural Marketing Specialist

Report Highlights:
Australia is a prosperous, politically & economically stable, industrialized nation. Per capita GDP is US$37,350, comparable to major industrialized western countries. The Australian economy continues to enjoy solid growth with low inflation. Australia's consumer-oriented agricultural imports are valued at almost $4 billion; the U.S. supplies nearly 10 percent. Agents/distributors are key components in developing exports of U.S. consumer-ready foods to Australia.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Canberra [AS1]
[AS]

Table of Contents

Section I: Market Overview

Americans and Australians have a warm relationship that spans the history of both nations. Australia and the United States share a common heritage, culture and language and have supported each other in every major international crisis of the past century. Yet, despite friendship and close ties, most Americans do not know much about Australia. American television romanticizes Australia's vast continental landmass and unique wildlife, and its frontier/surfer/barbecue/sporting stereotypes. But few Americans know the real, contemporary Australia.

Australia is a prosperous, politically and economically stable, industrialized nation. It enjoys an enormous natural resource base of agriculture and minerals; a highly developed human resource base; modern legal and financial systems; and a physical and service infrastructure to support complex business and industry. Its state-of-the-art transportation and telecommunications systems (both internal and international) support a well-developed, economically diversified market. Per capita GDP is approximately US$37,350, comparable to major industrialized western countries. The economy is growing steadily, unemployment and interest rates are low and investment terms are competitive. The major concerns are a large external account deficit and high oil prices impacting on inflation.

Australia is one of the most urbanized societies in the industrialized world, even though its land mass is the size of the continental United States. Of its 21 million people, more than 85 percent live in the large urban areas of Sydney, Melbourne, Adelaide, Brisbane and Perth and in smaller cities and towns within 100 miles of the ocean. The center of the continent is flat, dry, mineral rich and largely unpopulated, while the coastal areas are wet, mountainous, and densely forested. The interior plains are rich and fertile, supporting great varieties of agriculture.

The society is increasingly multi-cultural, with the traditional Anglo-Celtic majority now joined by immigrants from Southern and Eastern Europe, the Middle East, Latin America and Asia, who are all making their cultural influences felt more vibrantly.

Australia has a Western-style capitalist economy, with GDP per capita on par with the more developed countries in the world. The Australian economy is enjoying a period of relatively solid growth with low inflation. Australia's emphasis on reforms and strong demand and high prices for commodity exports are key factors behind the economy's strength. A severe drought in 2002/03 and weak foreign demand negatively impacted the trade deficit in 2003 and 2004. The current drought will be at least as severe as the 2003/03 event. The impact of the drought could shave 0.8% from GDP growth in 2006/07.

For the past few years the commodity boom has provided a key impetus to Australia's economic activity, driving investment, particularly in mining and related infrastructure and providing a large increase in domestic income through high commodity prices and high terms of trade. GDP growth in 2006/07 will be unlikely to exceed 3-3.25%. The biggest disappointment in Australia's recent economic performance has been the persistent large trade deficit. The current account deficit is projected to remain about 6% of GDP.

The U.S. - Australia Free Trade Agreement has provided some advantages for U.S. products. For example, tariff rates for all U.S. food products exported to Australia dropped to zero upon implementation of the agreement in January 2005.

Advantages	Challenges
U.S. culture well accepted and similar to Australia	Strict quarantine regulations with regard to fresh produce, meat and dairy products
No language barriers to overcome	Australia is a significant producer of a wide variety of agricultural products.
U.S. products have excellent image and acceptance.	'Buy Australian' campaign is significant.
The U.S. and Australia have a free trade agreement that removes import tariffs.	Australian labeling & advertising laws are different from the U.S. This may require some changes to food labels.

Section II: Exporter Business Tips

- Agents/distributors are key components in developing exports of U.S. consumer-ready foods to Australia.
- Australia is a sophisticated market that is interested in new-to-market food products.
- An increasingly multicultural society creates opportunities for ethnic food products.
- After sales services, such as cooperative advertising, is an important aspect of successfully entering the market.
- Innovative packaging has an advantage.
- Most of the major Australian importers visit the United States at least once a year to see what is available and to place orders if the items are appealing.
- The Food Standards Code is developed and updated by Food Standards Australia New Zealand Food (FSANZ). The Code is a joint code that applies to both Australia and New Zealand. The joint Code came into final effect in December 2002. More information, and a copy of the Code, is available on the FSANZ web site at the following address: http://www.foodstandards.gov.au/.
- The Food and Agriculture Import Regulations and Standards (FAIRS) report for Australia contains detailed information on Australia's food standards, labeling requirements, import regulations, etc. This report (AS7040) can be viewed/downloaded at the following Internet site: http://www.fas.usda.gov/scriptsw/attacherep/default.htm
- In December 2001, mandatory requirements for labeling genetically modified foods, where introduced DNA or protein is present in the final food, came into effect in Australia. The requirements are covered in Standard 1.5.2 of the joint Australia New Zealand Food Standards Code and FSANZ has developed a User Guide to help interpret the requirements. This information is available on the Internet by clicking on the above links or at the FSANZ web site listed above.
- Australian Maximum Residue Limits (MRLs) are in the schedules of Standard 1.4.2 of the joint Australia New Zealand Food Standards Code. MRLs are constantly changing and guidance on the latest available information is available from this office at the following e-mail address: AgCanberra@usda.gov.
- Food safety and plant and animal health import regulations can be found at the Australian Quarantine Inspection Service (AQIS) Internet site at: http://www.aqis.gov.au/ or through links in the FAIRS report mentioned above.

Trade Shows

There is one major food show in Australia, Fine Food Australia, which is held each year alternating between the cities of Sydney and Melbourne. Major buyers and importers from all over the country and region attend. Due to Australia's large geographic size and the high cost of internal airfares and transport, we believe that attending and/or exhibiting at Fine

Food is the most cost-effective way for U.S. companies to meet potential partners and customers for consumer-oriented food products in Australia. This show is now endorsed by FAS and a U.S. Pavilion is planned at Fine Food 2008.

Fine Food is an international exhibition for the food, drink, and equipment industries and is the largest food industry event in the region. The event also incorporates the hotel industry show and a wine industry show. It enjoys the support of major industry organizations and is the only event that allows companies to reach the retail, food service and hospitality industries at one venue. As well as exhibitors from Australia, regular exhibitors include groups from Asia, Europe and the Americas. Visitors from all over the Asia Pacific region also attend the show.

Admission to Fine Food and the Supermarket and Hotel shows is "trade only" and is restricted to persons in the food, drink, equipment, hotel, and supermarket trades.

CONTACT: Mr. Timothy Collett, Exhibition Director
Diversified Exhibitions Australia Pty Ltd
Illoura Plaza
424 St Kilda Road
Melbourne VIC 3004
AUSTRALIA
Tel: +61-3-9261-4500
Fax: +61-3-9261-4545
E-mail: food@divexhibitions.com.au
Web site: http://www.foodaustralia.com.au/

Fine Food Australia 2008 - Sydney

Melbourne Exhibition & Convention Centre, September 8-11, 2007.

This information is provided for informational purposes only. No endorsement should be implied unless specifically stated. Terms and conditions of participation are the responsibility of the activity organizer. Please contact the organizer directly for further information.

Section III: Market Structure & Trends

- Australia has well-educated, affluent consumers, willing to try new products.
- Consumer-ready foods continue to dominate the import market for foodstuffs.
- Tariffs on imported foods have been reduced to zero under the U.S./Australia Free Trade Agreement.
- Very strict sanitary and phytosanitary standards are an impediment to the import of many fresh products.
- Australia has strict food standards and labeling requirements that are set out in the Australia New Zealand Food Standards Code. If U.S. products can meet these standards, they may have good market potential in Australia (see Section II above on FAIRS Report).
- While Australia is a major producer/exporter of both tropical and temperate zone agricultural products, it is also an importer of further processed and consumer-ready products.
- Value added products and innovative packaging are valuable selling points in the Australian market.
- ‘Healthy’, ‘clean’, ‘green’ and ‘organic’ and ‘natural’ can be great selling points amongst a growing segment of the market.

- Some of the U.S. success in this market has been providing off-season fresh fruit to Australian consumers. Success, however, is very much tied to good consumer promotion efforts.
- U.S. products are well regarded as value for money in this market.
- It is estimated that over 85 percent of the products on Australian supermarket shelves are imported, made from imported ingredients or produced locally by foreign owned companies.
- The United Kingdom and other EU countries are important competitors in the value added import market in Australia. Strong historic ties and foods that match the tastes of the majority of the population are helpful in maintaining this position.
- With the Australian population becoming more multi-cultural, imports are rising from other countries such as Greece, Italy and Spain, as well as Southeast Asian countries.
- The Treaty of Closer Economic Cooperation with New Zealand makes that country a strong player in the imported food market.
- The high degree of urbanization, the high ratio of females in the workforce and the relative prosperity of Australia, makes food consumption a very competitive field.
- The use of microwaves is firmly established in Australia – well over 90 percent of households have a microwave. This, plus the large number of women in the workforce, has led to an increase in more oven or microwave ready meals.
- Fast foods and "take-away" foods are also very popular.
- The restaurant sector has also benefited from this demographic trend, as away-from-home consumption is growing rapidly.
- Australians are active international travelers and are exposed to new cuisines when traveling.
- Australian food manufacturers have been consolidating, which has led to greater competition by brands for shelf space in supermarkets.
- Two chains dominate Australian grocery sales - Woolworths and Coles.
- Both these companies are national in scope and are also organized along state lines. They have recently been involved in a campaign to acquire smaller independent chains to maintain their market shares.
- In recent years, these food-retailing giants have increasingly become their own importers, bypassing more traditional importers.
- Metcash is a supplier/distributor to independent chains and is the third largest player in the packaged grocery market.
- All these supermarket chains have central warehouses for each state of operation and have sub-warehouses depending on the concentration of stores in an area.
- The domestic food-processing sector in Australia is large and more sophisticated than the population base of 21+ million would indicate.
- Many Australian companies export processed products to Southeast Asia. In addition, several multinational companies use manufacturing/processing facilities in Australia as a spearhead in penetrating the Southeast Asian market. This is a trend that will continue to expand in the near term.

Section IV: Best High-Value Product Prospects

- The **organic and natural products** market in Australia is growing rapidly. Although Australia is a large producer of organic raw products, it does not have the manufacturing capacity to satisfy demand for the processed segment. Prospects are excellent for organic and natural ingredients as well as consumer-ready processed foods and beverages. Examples of this are the rice & grain cakes segment of the biscuits category which experienced growth of 21 percent in 2006. Likewise, organic pasta sauce was the best performing segment of the pasta sauce category.
- **The Fruit/tea drinks** segment continues to perform well with overall growth by

grocery volume of 24 percent in 2006.

- **The Sports and energy drinks** segments are now the best performing in the cold beverage category with volume growth of 33 and 28 percent respectively in 2006. The value of these two sectors is now US$123 million - a rise of US$41 million over the 2005 value.
- **Breakfast Cereal** – the 'portables' segment of this category has shown the most growth in 2006 with a volume increase of 24 percent.

Section V: Key Contacts & Other Information

Key Contacts

Agricultural Counselor
U.S. Embassy
Moonah Place
Yarralumla, ACT 2600
Australia
Tel: +61-2-6214-5854
Fax: +61-2-6273-1656
E-mail: AgCanberra@usda.gov

Food Standards Australia New Zealand
P.O. Box 7186
Canberra BC, ACT 2610
Australia
Tel: +61-2-6271-2222
Fax: +61-2-6271-2278
E-mail: info@foodstandards.gov.au
Web Site: http://www.foodstandards.gov.au/

Imported Food Inspection Scheme
Australian Quarantine & Inspection Service
Tel: +61-2-6272-3097
Fax: +61-2-6272-5888
E-mail: foodimp@aqis.gov.au

Food & Beverage Importers Association
181 Drummond Street
Carlton, VIC 3053
Australia
Tel: (+61-3) 9639-3644
Fax: (+61-3) 9639-0638
E-mail: Tony.Beaver@fbia.org.au
Web: http://www.fbia.org.au

Other Information

The home page for the Foreign Agricultural Service is located at: http://www.fas.usda.gov.

Recent Marketing Reports from FAS/Canberra:

These reports may be downloaded at the FAS Attache Reports page at:
http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp.

Report Number	Title of Report	Date
AS7040	Food & Agriculture Import Regulations & Standards (FAIRS) Country Report	07/31/2007
AS7039	Senate Committee Completes Inquiry into NZ Apple Decision	07/09/2007
AS7037	New Import Risk Analysis Process Becomes Law	06/28/2007
AS7021	Additional Comment Sought on Proposed Nutrition & Health Claims Standard	04/11/2007
AS7002	Promotion Opportunities Report	01/09/2007
AS6060	Exporter Guide	09/29/2006
AS6059	Export Certificates Report	09/27/2006
AS6051	Australia Launches Strategy to Gain Access to Southern Indian Food Market	08/10/2006
AS6048	Food & Agriculture Import Regulations & Standards	08/03/2006
AS6018	Fortification of Cereal Based Beverages	03/22/2006
AS6014	New Guide Available for Country of Origin Labeling Standard	03/09/2006
AS6012	Biosecurity Australia Begins Assessment of U.S. Stone Fruit for Import	03/08/2006
AS6011	Comment Sought on Feasibility of Extending Country of Origin Labeling	02/28/2006
AS6007	Comment Period for Proposed Health Claim Standard Extended	02/02/2006
AS6005	Fine Foods Trade Show	01/27/2006
AS6003	Health Claims & Sugar Content of Fresh Fruit	01/24/2006

In addition to the above reports, the following market sector reports for Australia are also available:

Food & Agriculture Import Regulations & Standards (2007)
Retail Sector Report (2007) – coming soon
Food Processing Sector Report (2004)
Hotel, Restaurant & Institutional Sector Report (2004)
Pet Food Product Brief (2003)
Confectionery Product Brief (2003)
Snack Food Product Brief (2003)

Appendix I: Statistics

Table A: Key Trade & Demographic Information

Agricultural Imports from All Countries (US$Mil)/U.S. Market Share (%)	(2006)	$5,289	10%
Consumer Food Imports from All Countries (US$Mil)/U.S. Market Share (%)	(2006)	$3,824	10%
Edible Fishery Imports from All Countries (US$Mil)/U.S. Market Share (%)	(2006)	$856	3%
Total Population (Millions)/Annual Growth Rate (%)	(2007)	21	2.4%
Urban Population (Millions)/Annual Growth Rate (%)	(2007)	15.8	3.3%
Number of Major Metropolitan Areas [1/]	(2007)		5
Size of the Middle Class (Millions)/Growth Rate (%)			n/a
Per Capita Gross Domestic Product (US$)	(2007)		37,357
Unemployment Rate (%)	(2007)		4.3%
Per Capita Food Expenditures (US$)	(2007)		$2,962
Percent of Female Population Employed (%)	(2007)		57.7%
Exchange Rate	(2007)	US$1.00 = $1.22	

1/ Centers with population over 1,000,000

SOURCES: Global Trade Atlas & various Australian Bureau of Statistics publications & estimates from Economic & Agriculture Sections, US Embassy, Canberra, Australia.

Table B: Consumer Food & Edible Fishery Product Imports

Australia Imports (In Millions of U.S. Dollars)	Imports from the World 2004	2005	2006	Imports from the U.S. 2004	2005	2006	U.S Market Share 2004	2005	2006
CONSUMER-ORIENTED AGRICULTURAL TOTAL	3,046	3,484	3,824	266	339	378	9	10	10
Snack Foods (Excl. Nuts)	267	312	337	14	14	14	5	4	4
Breakfast Cereals & Pancake Mix	26	27	31	2	3	2	8	9	8
Red Meats, Fresh/Chilled/Frozen	188	252	259	1	51	51	1	20	20
Red Meats, Prepared/Preserved	21	27	29	3	6	7	16	22	23
Dairy Products (Excl. Cheese)	94	103	108	2	3	5	2	3	5
Cheese	172	203	229	0	0	0	0	0	0
Eggs & Products	6	7	8	1	1	2	16	18	18
Fresh Fruit	104	119	129	41	47	50	39	39	38
Fresh Vegetables	24	27	33	2	3	4	11	9	12
Processed Fruit & Vegetables	430	458	499	39	36	38	9	8	8
Fruit & Vegetable Juices	108	104	117	9	14	11	9	13	10
Tree Nuts	106	141	149	9	12	13	9	8	9
Wine & Beer	201	238	309	4	3	5	2	1	2
Nursery Products & Cut Flowers	27	29	33	0	0	0	2	1	1
Pet Foods (Dog & Cat Food)	77	97	99	35	40	50	46	42	50
Other Consumer-Oriented Products	1,194	1,341	1,453	102	107	125	9	8	9
FISH & SEAFOOD PRODUCTS	677	753	856	21	21	24	3	3	3
Salmon	48	54	66	13	16	19	27	30	29
Surimi	14	14	11	0	0	0	3	3	4
Crustaceans	203	224	273	0	0	1	0	0	0
Groundfish & Flatfish	150	157	180	1	1	2	1	0	1
Molluscs	75	89	89	2	2	1	2	3	1
Other Fishery Products	187	215	236	4	1	1	2	1	1
AGRICULTURAL PRODUCTS TOTAL	4,242	4,761	5,289	431	485	524	10	10	10
AGRICULTURAL, FISH & FORESTRY TOTAL	5,767	6,346	6,989	477	534	576	8	8	8

Source: Global Trade Atlas

Table C: Top 15 Suppliers of Consumer Foods & Edible Fishery Products

Australia - Top 15 Suppliers

CONSUMER-ORIENTED AGRICULTURAL IMPORTS ($1,000)	2004	2005	2006
New Zealand	697,400	814,765	860,144
United States	266,225	339,476	378,007
Ireland	264,809	295,425	326,025
China	163,606	184,038	228,783
Italy	176,248	198,034	217,401
France	100,749	117,673	147,562
Denmark	127,211	120,091	131,873
Netherlands	80,798	95,568	130,613
Thailand	97,384	120,149	127,204
Canada	102,107	118,159	122,210
Germany	78,225	82,931	98,201
United Kingdom	88,223	90,729	81,710
Vietnam	55,507	63,179	67,783
Singapore	61,523	75,112	59,698
Belgium	40,880	44,386	51,545
Other	644,996	724,202	795,475
World	3,045,891	3,483,917	3,824,234

Source: Global Trade Atlas

FISH & SEAFOOD PRODUCTS IMPORTS ($1,000)	2004	2005	2006
Thailand	165,349	193,414	206,127
New Zealand	115,671	121,600	129,239
Vietnam	79,492	93,876	120,272
China	56,866	69,864	101,782
Malaysia	19,892	19,112	25,507
United States	20,700	20,653	24,336
India	24,697	22,498	22,529
South Africa	22,356	26,073	21,714
Taiwan	14,974	17,180	21,544
Indonesia	19,247	20,729	19,746
Canada	14,296	17,079	19,218
Denmark	12,925	14,209	18,410
Norway	8,905	10,370	12,773
Argentina	7,140	10,054	12,676
Myanmar	9,493	9,152	12,321
Other	85,188	86,912	87,447
World	677,191	752,775	855,641